

SENATE BILL REPORT

SHB 1264

As Reported By Senate Committee On:
Ways & Means, March 15, 2007

Title: An act relating to the portability of public retirement benefits.

Brief Description: Addressing the portability of public retirement benefits.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Fromhold, Conway, B. Sullivan, Kenney, Ericks, Haigh, Ormsby, Simpson and Moeller; by request of Select Committee on Pension Policy and LEOFF Plan 2 Retirement Board).

Brief History: Passed House: 2/23/07, 94-0.

Committee Activity: Ways & Means: 3/15/07 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Rockefeller, Schoesler and Tom.

Staff: Erik Sund (786-7454)

Background: If a member of one of the retirement systems administered by the state or by one of the First Class cities leaves eligible employment for that plan and subsequently enters employment covered by another such retirement system, then he or she is eligible for dual membership. The plans eligible for dual membership include the Public Employees' Retirement System (PERS) Plans 1, 2, and 3; the Teachers' Retirement System (TRS) Plans 1, 2, and 3; the School Employees' Retirement System (SERS) Plans 1, 2, and 3; the Law Enforcement Officers and Fire Fighters' Retirement System (LEOFF) Plan 2; the Washington State Patrol Retirement Systems (WSPRS) Plans 1 and 2; the Public Safety Employees' Retirement System (PSERS); the Statewide City Employees' Retirement System (SCERS); and the retirement systems of the cities of Seattle, Spokane, and Tacoma. LEOFF Plan 1, the Judges' Retirement System, and the Judicial Retirement System are not included in the portability statutes that govern dual membership. The Legislature has reserved the right to amend or repeal the portability statutes.

Dual members may combine service credit earned in all eligible systems for the purpose of determining eligibility for retirement and for other benefits. They may also use their highest base salary from an eligible system in order to calculate their benefit in another system. "Base

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salary" in this context does not include overtime payments or lump sum payments such as for the cash out of leave or severance pay. Some of the elements excluded from base salary for the purpose of calculating dual members' benefits are allowable for the purpose of calculating benefits in some of the eligible plans.

Currently, all dual members are subject to a maximum benefit rule. Under this rule, the sum of the retirement allowances that a dual member receives may not exceed the largest amount that he or she would receive if all service had been rendered in any one system. When a dual member's combined allowance exceeds the limit, the allowances from each system are reduced on a proportional basis according to years of service.

The Plans 3 of PERS, TRS, and SERS include a 20-year indexed benefit. This plan feature permits a member with 20 or more years of service to leave covered employment, not immediately collect a monthly defined benefit, and have the member's average final compensation increased by 3 percent per year from the time of separation until the time that benefits are commenced. Members of each of the Plans 3 may combine service for purposes of meeting the 20-year requirement of the indexed benefit. Since 1993 LEOFF 2 has also provided a 3 percent increase for members that similarly leave after 20 years of service – a provision that predates the Plans 3 by at least five years. However, LEOFF 2 service may not be combined with Plan 3 service to qualify for the 3 percent indexed benefit.

Summary of Substitute Bill: Dual members, except for those belonging to WSPRS, are allowed to include in their base salary previously excluded forms of payment, such as overtime, as long as the type of payment in question is reportable under both of the retirement systems to which the member belongs.

The maximum benefit rule is not applied to dual members who have both (1) fewer than 15 years of service in a plan with a benefit cap (such as PERS 1 or TRS 1); and (2) service in a plan with no benefit cap (such as PERS 2 or LEOFF 2).

A member may combine service earned in LEOFF 2 with service earned in PERS, TRS, or SERS Plan 3 to qualify for the 20-year indexed benefit available in each of these four plans.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (on companion SB 5176): PRO: The current laws discriminate against hourly employees that are members of more than one retirement system by excluding overtime pay from their base salaries. This bill would provide equitable treatment both for employees who are paid by the hour and for salaried employees.

Persons Testifying: PRO: Amber Lewis, Washington Federation of State Employees; Steve Nelson, LEOFF Plan 2 Retirement Board; Pat Thompson, Washington State Council of County and City Employees.